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FARM PROGRAMS FOR 1942

THE

AGRICULTURAL

SITUATION

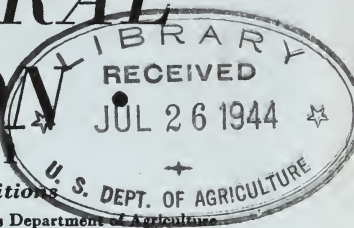
DECEMBER 1941

A Brief Summary of Economic Conditions

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AN AGRICULTURAL PROGRAM of increased food production; of continuing soil conservation practices and payments to producers of wheat, cotton, tobacco and other crops; and of financial aid to low-income farmers is being mapped out for 1942. The program seeks to achieve and maintain parity prices for the farm products of commercial producers, and to improve the economic and social condition of the millions of small farmers who are benefiting least from the gains in prices of farm products during the past year. For many small farmers the problem is not to increase the production of milk, eggs, meats, and vegetables; the problem for them is to be able to produce for the first time these commodities for their own use—to become self-sufficing in food production and household economy.

* * * Farmers by and large go into the winter with continuing good promise of improved consumer demand for farm products, and a relatively high level of prices and income. Total cash farm income has been estimated at 11.2 billion dollars for 1941, compared with 9.1 billions in 1940, and with 8.7 billions in 1939. Largest income of record was 14.6 billion dollars in 1919.

Commodity Reviews

PRODUCTION: Record

FARMERS produced this year a high record volume of food. Commitments now being made in the Food for Freedom campaign call for a further expansion in 1942 to meet expanding domestic and export requirements. Both acreages and yields of many important food and feed crops were larger this year than last; the production of milk and manufactured dairy products was the largest on record; the production of meats set a new high total. Toward year's end the production of eggs was making new seasonal high records.

Cotton was a comparatively small crop in 1941, totaling 11,020,000 bales (November estimate), compared with 12,566,000 bales in 1940, and with 13,246,000 bales average during the 10 years 1930-39. Other crops produced in smaller volume this year than last include oats, peanuts, potatoes, tobacco, sugar beets, pears, and pecans. The corn crop, at 2,675,373,000 bushels (November estimate), was the largest in 9 years.

By and large, the farm plant appears in good physical condition—drought areas in the East excepted—and with good weather during the coming year, it is expected that the 1942 food production goals will be attained, and possibly exceeded. Early returns in the Food for Freedom campaign indicate wholehearted cooperation by farmers in producing the quantities needed by us and for export to Britain.

Government agencies are making every effort to see that farmers have the equipment needed for the large volume of production sought during the coming year. The farm labor situation is being attacked on a broad front of Federal, State, and local cooperation. The 1942 volume of production will cost more in money and

farm family labor than in years past, but total cash income from marketings and Government payments will be the largest in more than 20 years.

PRICES: Up

Prices received by farmers in 1941 averaged 22 percent higher than in 1940. Prices advanced in response to increased consumer buying power, higher commodity loans to producers at 85 percent of parity, and increased Government buying of commodities for domestic consumption and Lend-Lease export. Prices of all farm commodities ended the year higher than at the beginning, largest gains being recorded for cotton and cottonseed, chickens and eggs, and truck crops. Forecast is for a further but moderate rise in the general level of prices of farm products in 1942.

Prices paid by farmers (including interest and taxes, but not including farm labor) averaged 4 percent higher than in 1940, but a rise of larger proportions has been forecast for 1942. Prices paid at year's end (1941) were rising more than prices received, thereby lessening the purchasing power of farm products. Costs of farm production are higher in practically all categories—farm labor, farm equipment, fertilizer materials, and building supplies. Farm wages rose nearly 30 percent during 1941.

For 1941 as a whole the average of prices received by farmers has been tentatively estimated at 120 percent of the 1910-14 average, and the average of prices paid (not including interest, taxes, and farm wages) at 130 percent. This yielded a purchasing power of 92 percent of pre-World War I, as contrasted with 80 in 1940, and with 77 in 1939. Highest in recent years was 93 in 1937.

Including interest and taxes, but not including farm wages, the index of

prices paid was 133 in 1941, as compared with 128 in 1940. Ratio of prices received to prices paid, interest and taxes payable was 90 for 1941, as compared with 77 in 1940, and with 73 in 1939.

Index Numbers of Prices Received and Paid by Farmers

1910-14=100

Year and month	Prices received	Prices paid	Buying power of farm products ¹
1940			
November.....	99	122	81
December.....	101	123	82
1941			
January.....	104	123	85
February.....	103	123	84
March.....	103	124	83
April.....	110	124	89
May.....	112	125	90
June.....	118	128	92
July.....	125	² 130	97
August.....	131	² 133	² 98
September.....	139	² 136	² 102
October.....	139	² 139	² 100
November.....	135	141	96

¹ Ratio of prices received to prices paid.

² Revised.

TAXES: Up

Farmers will pay substantially higher taxes in 1942, the result principally of increased Federal levies, since State and local taxes probably will show only moderate increases. A continued rise in the general level of prices would be followed by upward revisions of State and local taxes, but no great increases in these taxes are expected short of an extremely inflationary situation.

Federal tax payments by farmers will increase sharply with the coming into effect of the Revenue Act of 1941. The one item in this act with the greatest direct effect on farmers probably is the motor vehicle use tax which will cost farmers some \$25,000,000 per year. The lowering of exemptions for the personal income tax will greatly increase the number of farmers making Federal income tax returns, and together with the raising of rates, will increase the amount of taxes paid by farmers. Further increases in Federal tax levies that will

Prices of Farm Products

Estimates of average prices received by farmers at local farm markets based on reports to the Agricultural Marketing Service. Average of reports covering the United States weighted according to relative importance of district and States.

Product	5-year average, August 1909-July 1914	November 1910-14	November 1940	October 1941	November 1941	Parity price November 1941
Cotton, lb.....	12.4	12.1	9.38	16.55	15.78	17.73
Corn, bu.....	64.2	59.4	³ 56.8	64.9	63.7	91.8
Wheat, bu.....	88.4	87.3	72.5	91.0	93.4	126.4
Hay, ton.....	11.87	11.89	7.25	8.34	8.71	16.97
Potatoes, bu. ¹	69.7	61.4	52.4	67.2	77.4	100.1
Oats, bu.....	39.9	38.2	31.7	38.9	41.1	57.1
Rice, bu.....	81.3	-----	72.2	96.7	120.4	116.3
Peanuts, lb.....	4.8	4.5	3.24	4.41	4.61	-----
Tobacco:						6.9
Flue-cured, types 11-14, lb. ²	22.9	-----	14.7	32.8	24.2	25.9
Fire cured, types 21-24, lb. ¹	13.6	-----	-----	-----	-----	12.0
Maryland, type 32, lb. ¹	22.9	-----	13.0	32.0	25.0	20.2
Cigar binder, types 51-55 lb. ¹	19.9	-----	-----	-----	23.4	17.5
Apples, bu.....	.96	.80	.75	.87	.98	1.37
Beef cattle, cwt.....	5.21	5.01	³ 7.88	9.18	8.85	7.45
Hogs, cwt.....	7.22	6.96	5.62	10.08	9.66	10.32
Chickens, lb.....	11.4	10.8	13.1	16.0	15.5	16.3
Eggs, doz.....	21.5	27.8	26.2	31.8	35.5	⁴ 43.3
Butterfat, lb.....	26.3	28.5	³ 31.0	36.9	36.7	39.9
Wool, lb.....	18.3	18.5	31.5	36.3	36.1	26.2
Veal calves, cwt.....	6.75	6.74	9.06	11.14	10.79	9.65
Lambs, cwt.....	5.87	5.31	7.78	9.66	9.48	8.39

¹ Post-war base.

² Base price crop years 1934-38.

³ Revised.

⁴ Adjusted for seasonality

affect farmers may be expected in subsequent years as the defense program develops.

INCOME: Increase

Farmers in 1941 had the best cash income in years. Total from marketings and Government payments was 11.2 billion dollars, as compared with 9.1 billions in 1940. Total was about 100 million dollars less than in 1929, but nearly 400 million above the average for the period 1924-29. Itemization of 1941 income is not yet available, but it seemed near year's end that income from crops would show a larger gain over 1940 than returns from livestock and livestock products.

A marked increase in the size of the 1941 wheat crop, together with substantially higher prices, resulted in the largest income from wheat since 1929. Cotton and cottonseed yielded farmers more than 1 billion dollars for the first time since 1929. Income from most other farm crops, particularly truck crops, soybeans, rice, and several of the fruit crops showed substantial increases in 1941 over 1940.

Returns from livestock and livestock products were about 25 percent larger than in 1940, and the largest since 1929. Income from meat animals recorded the largest percentage increase over 1940, but the increase from poultry and eggs was nearly as large. Income from dairy products also was substantially larger than in 1940, the total approaching the 1929 figure of 1.8 billion dollars.

A cash farm income of 13 billion dollars has been forecast for 1942, predicated on continuing improvement in the demand for farm products and increased volume of production under the Food-for-Freedom program. Income from grains may not be much larger than in 1941, but income from fruits and vegetables and from livestock products is expected to increase as consumer buying power continues to rise and larger quantities of com-

modities are bought by the Government for Lend-Lease export.

CONSERVATION: 1942

In 1942, as in former years, farmers may earn two types of payments under the Agricultural Conservation Program: one for planting soil-depleting crops within special allotments; the other, for carrying out soil-building practices. Following are the payment rates for 1942, based on normal yield of allotted acreages, as compared with 1941 rates:

Crop	1941	1942
Corn (commercial area) bushel.....	9¢	8¢
Cotton, pound.....	1.37¢	1.25¢
Wheat, bushel.....	8¢	10.5¢
Rice, 100 pounds.....	5.5¢	3¢
Peanuts, ton.....	\$2.25	\$1.45
Potatoes (commercial) bushel.....	2.3¢	2¢
Flue-cured tobacco, pound.....	0.8¢	0.7¢
Burley tobacco, pound.....	0.8¢	0.7¢
Fire-cured tobacco, pound.....	1.5¢	1.4¢
Dark air-cured tobacco, pound.....	1.0¢	0.9¢
Virginia sun-cured tobacco, pound.....	0.8¢	0.7¢
Pennsylvania tobacco Type 41, pound.....	0.5¢	0.4¢
Cigar filler and binder tobacco (other than types 41 and 45) pound.....	0.8¢	0.7¢
Georgia-Florida tobacco Type 62, pound.....	1.0¢	0.9¢

DAIRY: Production Up

Milk production continues to set new seasonal high records. The total for 1941 was the largest on record—approximately 117 billion pounds. A further increase—to 125 billion pounds—is sought for 1942 under the Food for Freedom program. It is estimated there will be nearly 26 million cows on farms in 1942, but even this large number must be fed heavier quantities of feed grains and concentrates to attain the 1942 production goals. Pastures and weather conditions also must be good in order to reach the 1942 goals.

Production of milk and of most manufactured dairy products is expected to average larger than a year earlier

during the next 6 months. Butter production, however, may be about the same or somewhat smaller than in the corresponding months of 1940-41. Exports of cheese, evaporated milk, and dry skim milk will continue unusually large. Storage stocks of butter and cheese probably will continue larger than a year earlier but manufacturers' stocks of evaporated milk may continue smaller.

Forecast in late November was that prices of cheese and evaporated milk may be relatively steady during the next 3 or 4 months. Butter prices usually decline from December to June. The butterfat-feed price ratios may be somewhat less favorable for milk producers during this period as contrasted with a year earlier, but it is believed that the ratio of feed prices to prices paid by condenseries for milk may be more favorable.

FATS, OILS: Increase

Factory production of fats and oils from domestic materials totaled about 6.0 billion pounds during the first 9 months of 1941, as contrasted with 5.3 billion pounds in the like period of 1940. Production from imported materials was only slightly larger than a year earlier, with increased output of castor oil and linseed oil being nearly offset by reduced production of coconut and babassu oils. Despite the gains in output, factory and warehouse stocks of primary fats and oils at the end of the period were more than a quarter billion pounds smaller than a year earlier.

The extraordinary demand for fats and oils is reflected in higher prices this year than last. In some cases—as peanut, soybean, cottonseed, and corn oils—prices have been more than double those of a year earlier. A continuing high level of demand for edible and industrial oils has been forecast for 1942. Large quantities of lard will be bought by the Federal Government for Lend-Lease export. It has

been estimated that total requirements of fats and oils for all purposes may be at least 11.2 billion pounds this season.

A 1942 peanut marketing quota of 1,255,800,000 pounds was proclaimed November 7 by the Secretary of Agriculture, but this quota applies only to peanuts harvested for the edible trade. The 1942 acreage allotment is 1,610,000 acres, the same as in 1941. In addition, production goals for 1942 call for approximately 1,900,000 acres of peanuts to be harvested for oil. Growers also are being encouraged to increase the acreage of peanuts to be "hogged off."

EGGS: Increase

Production of eggs has been setting new high records this season. As of November 1, total egg production was about 9 percent larger than a year earlier. Receipts at midwest primary markets have been unusually large, but receipts at terminal markets have been a little smaller than a year ago. Many of the eggs were going to egg-breaking and drying plants. Storage withdrawals of eggs recently have been about as large as at the same time last year.

The outlook for coming months is that (1) with favorable weather, egg production will continue even larger than the record output of a year earlier; (2) the number of layers on farms January 1 will be about 10 percent larger than a year earlier (a larger number of pullets also will be available for addition to laying flocks after the first of the year); (3) the feed-egg ratio is expected to continue favorable for egg production.

It is expected that the Department of Agriculture will buy 500 million dozen eggs for Lend-Lease purposes in 1942. This is nearly 17 million cases. Even so, supplies of eggs for domestic consumption in 1942 will be as large as the average in recent years—possibly larger. Prices received by farmers for eggs are expected to average somewhat higher in 1942 than in 1941.

FEED: Plentiful

The supply of feed grains as of October 1 was estimated at 120 million tons—largest in more than 20 years. This was about 5 million tons more than on the same date last year, and 4 million tons larger than the big 1932 supply. Assuming an increase of about 5 percent in the number of grain-consuming livestock during 1941, the October 1 supply of feed grains per animal unit is slightly smaller than in 1940, but 18 percent above the 1928–32 average.

Prices of all feeds are considerably higher than at this time last year, although corn has advanced relatively less than other feeds. The seasonally adjusted butterfat-feed and feed-egg price ratios in late November were less favorable to producers of dairy and poultry products than in mid-summer, but the United States hog-corn price ratio continues well above average.

The Commodity Credit Corporation announced in late November it would make loans on 1941 corn in the commercial area at rates averaging 74.8 cents per bushel. This compares with a flat rate of 61 cents per bushel in 1940. It was announced also that the price of corn sold by Commodity Credit would be revised—effective immediately—to the new loan rates.

HOGS: Increase

Hog production is increasing. Total for 1941 was larger than in 1940, and a further increase is expected in 1942. Production next year probably will be the largest on record—in response to a favorable hog-corn price ratio as a result of increased domestic consumer demand and Government Food for Defense buying. Government purchases of pork and lard totaled nearly 700 million pounds from March through November 15 this year.

The 1941 spring crop totaled approximately 50 million pigs, or about the

same as in the spring of 1940. But the 1941 fall crop was considerably larger than the 1940 fall crop, as prices rose to make pig production profitable. In late fall a year ago, farmers were averaging \$6 per cwt. for hogs; this fall the average has been about \$10.

A continuing favorable hog-corn price ratio has been forecast for 1942, and it is expected that the 1942 spring pig crop will be 10 to 15 percent larger than the 1941 spring crop. An increase of this proportion will be needed to reach the hog-slaughter goals set up by the Federal Government for 1942. These goals call for a total slaughter of 79 million hogs in 1942 as compared with 72 million estimated for 1941.

CATTLE: Supply

For several months past the Government livestock specialists have been urging cattlemen to increase the marketings of cattle and calves in 1942. Reason is that numbers of cattle and calves are approaching peak figures, that increased supplies of meats are needed for us and for Britain in 1942, and that increased marketings in 1942 will yield better prices than heavier marketings in subsequent years. National goals call for the slaughter of 28 million cattle and calves in 1942, as contrasted with about 25 million estimated for 1941.

Recent Government reports indicate that fewer cattle will be on feed this winter than last. Does this mean that the 1942 slaughter goals will not be reached? That instead, there will be a further increase in the numbers of cattle and calves on farms and ranches? At the moment, the Government livestock specialists have not the answers to these questions. Practical certainty is, however, that marketings of well-finished cattle will be smaller than in 1941.

The situation as to cattle on feed indicates the necessity for heavier marketings of the lower grades of cattle in order to meet the 1942 slaughter

goals. Close culling of low-quality cows and heifers from beef herds would contribute much to yielding the desired increase in meat production.

FRUITS: Higher

Total production and prices of fruits are higher this season than last. The citrus crop is smaller, but this is more than offset by increased production of deciduous fruits. Production of all fruits combined is about 5 percent larger this season than last. Prices have been helped by the improved consumer demand this season, and by heavier Government purchases of fruits.

The commercial apple crop has been estimated at 126.1 million bushels, compared with 114.4 million in 1940, and with 125.3 million bushels average during the preceding 5 years. Improved consumer demand and increased Government purchases have outweighed price-depressants such as the larger crop and reduced exports.

Production of pears has been estimated at 30.8 million bushels, as compared with 31.6 million in 1940. Prices are higher this year than last. * * * Production of winter and early spring oranges has been estimated at 54.7 million boxes, as compared with 54.1 million boxes a year earlier; grapefruit 40.3 million boxes as compared with 43.0 million; lemons 14.6 million as compared with 17.1 million.

Market prices of Florida oranges and grapefruit are higher this season than last.

TRUCK CROPS: Reduced

Smaller market supplies and larger consumer demand have resulted in sharply higher prices of truck crops this season than last. Most of the late 1941 vegetables had been harvested by mid-November and a few storable commodities moved under cover. * * * Early crops grown in the South are moving to market. Larger acreages probably will be grown this winter and next spring, but of course

yields will be dependent upon the usual widely variable and unpredictable weather in this region.

Smaller truck crops this fall than last were snap beans, kale, and spinach; larger crops were cabbage, cucumbers, eggplant, tomatoes, and shallots. Output of carrots, cauliflower, celery, lettuce, and green peppers was about the same as in 1940. Truck crop prices are expected to continue on a relatively high level this winter.

Prices of potatoes are higher this season than last, as a result of the smaller fall crop and continuing high level of consumer demand. Late summer and early fall supplies were relatively heavy, and prices declined; but the late crop, estimated at 297 million bushels, was about 16 million bushels smaller than in 1940, and 1 million less than the average for the preceding 10 years.

Sweetpotatoes are a larger crop this season—71 million bushels, as compared with 62 million in 1940.

COTTON: Lower

Cotton was selling above parity for a while this fall, but prices subsequently declined, and in mid-November the average to farmers was 15.78 cents per pound. The average in mid-November last year was 9.38 cents. Price depressants this fall included the large marketable supply of cotton outside loan stocks, and an unfavorable turn of political and military conditions abroad. These more than outweighed the continuing high level of domestic mill consumption.

The November crop report reduced the 1941 crop by some 41,000 bales, indicating a total outturn of 11,020,000 bales for the year. Production in 1940 totaled 12,566,000 bales; in 1939 the total was 11,817,000 bales. The total 1941-42 supply of cotton—production plus carry-over—is double our domestic requirements, even at the current high level of domestic consumption. Principal price support is the Government loan at 85 percent of parity.

Considerably less cotton has gone into Government loan stocks this year, since the crop is smaller and the higher level of prices has induced immediate marketing by growers. Government loan stocks totaled 6.9 million bales as of November 22, as compared with 10.4 million bales at the same time last year.

WOOL: High Priced

Domestic wools have been selling at Boston at highest prices in more than a decade. Prices advanced following invitations for bids on large additional quantities of wool cloth for military use. Mill consumption of apparel wool had already reached a new high total of more than 90 million pounds, grease basis, in September. It is expected that consumption will continue close to record levels during the early months of 1942.

United States dealers and manufacturers are holding unusually large stocks of raw wool this fall, but the supply is not especially large in relation to the current high rate of mill consumption. For the same reason, it is likely that the United States will continue to import near-record quantities of wool in 1941-42, provided shipping space is available. Imports (for consumption) totaled 473 million pounds in the year ended June 1941. This was 3 times the quantity imported in 1939-40. It was the largest total on record. More than half the total imports came from Argentina.

A reciprocal trade agreement with Argentina went into effect November 15, providing for reductions of 11 or 12 cents a pound in the tariff rate on certain coarse wools grading not finer than 44's. Domestic production on these types is only about 1 percent of total United States production.

SHEEP, LAMBS: Increase

Reports indicate that about as many lambs will be on feed this winter as last. Lamb feeding operations are likely to be smaller than a year earlier in all of

the Corn Belt States east of the Mississippi River, and in Minnesota and Iowa. But the number fed in Missouri and in the States west of the Missouri River will be larger. The total number fed in the 11 Western States may differ little from the number fed in these States last season, a rather sharp increase in Colorado offsetting decreases expected in other States.

Some increase in feeding is probable in Texas and Oklahoma. Despite the 8-percent increase in the 1941 Texas lamb crop, shipments from Texas were much smaller this fall than last. Because of the favorable level of wool prices now prevailing, the number of Texas lambs held over for market next spring as shorn yearlings may be larger than usual.

FLAXSEED: Trade Agreement

A new trade agreement with Argentina went into effect November 15 cutting in half the duty on flaxseed and duties and excise taxes on imports of oleo oil and stearine, tallow, neatsfoot oil, and edible sunflower oil. Except for flaxseed, the United States normally does not import any of these commodities in appreciable quantities. But with relatively high prices for fats and oils in the United States, and with demand increasing, imports probably will be stimulated if adequate shipping space is available.

The duty on flaxseed was reduced to 32.5 cents per bushel, but provision was made to increase the rate to 50 cents after the present "abnormal situation" is over. The duty and excise tax reductions in the case of sunflower oil may be canceled on 6-months' notice after conclusion of the Anglo-German conflict. The price of flaxseed declined fairly sharply in mid-October following announcement of the agreement. But with a Government loan available and with continuing high costs for imports, no further marked decline in flaxseed prices is considered as likely this season.

FRANK GEORGE.

AGRICULTURAL PROGRAMS FOR 1942

AGRICULTURAL action programs are advancing on a new front. Main objective is the production goals set up for 1942 in a Food for Freedom campaign designed to increase the production of protective foods for us, for Lend-Lease export, and for the building of food stockpiles. Food is expected to "win the War, and write the peace!" The food production goals will be reached—possibly exceeded—in 1942.

Buttressing the Food for Freedom campaign are the continuing Governmental efforts at conservation of the soil, economic security for low-income farmers, commodity loans to support prices near parity levels, farm credit on production and on mortgage debt, the insurance of crops against natural hazards, the purchase and distribution of foods to improve the nutrition and health of low-income people, the marketing of products under agreement between producers and processors.

The accompanying group of articles sets forth some of the highlights of these various agricultural programs—for 1942.—Ed.

Food for Freedom

IN recent weeks, 135,000 AAA farmer committeemen, representing every agricultural community in the United States, have met and talked with their neighbors about 1942 farm plans. By now, more than 6 million farmers have indicated to the U. S. D. A. Defense Boards which have been set up in every State and county exactly what they plan to do toward reaching the Food for Freedom production goals for 1942. The task of tabulating these returns and relating them to the production needs for 1942 is now under way.

The work in the Food for Freedom production campaign is high-lighted against a background of consistent effectiveness of the Federal Farm Program in strengthening American agriculture and the Nation. The AAA program, from the beginning, has worked toward a goal of balanced abundance—providing a means of adjustment downward of surplus crops and adjustment upward of crops for which there have been adequate markets. Throughout the present

emergency the provisions of the AAA program have accordingly been geared to fit the changing needs.

THE provisions of the 1942 program reflect the demands of national defense. The substitution in 1942 of a soil-conserving goal for the total soil-depleting allotment is an important example. One of the reasons for this action is to make way for increased production of milk, eggs and the other protective foods. At the same time the use of the soil-conserving acreage goal for each farm increases the emphasis on conservation, continuing and expanding the progress toward stronger soil resources on America's farms.

This new provision incorporated into the 1942 program, added to the soil-building practices, is a safeguard against a repetition of the grassland plow-up that took place during and after World War I. It is further bolstered by the orderly adjustment that is now possible to meet the needs of the present emergency and by the orderly management of our surplus supplies. As in the past, the acreage allotments for the special crops such as wheat and cotton continue to play

an important role in preventing undue waste of soil and labor that would otherwise go into the production of excessive surpluses.

In many cases, measures instituted to attain peacetime objectives are now found to serve urgent defense needs. The potential value of the Ever-Normal Granary reserves to national defense was obvious from the start of the emergency. Now it must be recognized that without these reserves the Food for Freedom program, which seeks to convert the grain of the Ever-Normal Granary into food, would find impossible the attainment of its goals in the time at hand.

OTHER measures in the 1942 program, showing the variation in the type of defense problem being met, include the leguminous winter cover crop seed program. In 1938 the AAA began a program for encouraging domestic production of leguminous winter cover crop seed. Up to that time the bulk of such seed had come from central Europe. With the outbreak of World War II, this source of seed was abruptly and completely cut off. To meet this problem the domestic seed program was stepped up. Now as the defense program has gained momentum, the seed program has taken on new importance, for the reason that legumes inject nitrogen into the soil, and by using legume cover crops farmers are able to release for defense needs nitrogen normally put into commercial fertilizers. The 1942 program calls for double the quantity of legume seed produced hitherto.

Another example is the steps taken to increase the production of fats and oils. The 1942 program provides encouragement of production of soybeans and peanuts for oil. No acreage allotments will apply to either crop, and in the case of soybeans a loan is being offered on the 1941 crop. These measures are in response to a shortage of fats and oils which we are not now receiving from other sources in usual

quantities, primarily because of shipping shortages. Further reductions in imports of fats and oils seem likely in 1942. The difference must be made up through increased production of oil crops grown at home, such as soybeans and peanuts.

INSEPARABLE from the problems of production is the long-standing problem of farm income, and now during the national emergency the AAA measures that deal with this phase of the agricultural economy take on an added significance. The Food for Freedom phase of the program gives assurance to producers of specified commodities for which increased production is asked that prices will be maintained at least up to 85 percent of parity through 1942. At the same time the AAA job of helping farmers maintain fair incomes from the crops cut off from export trade, continues a very real job as the new program year approaches. Government measures—acreage allotments, marketing quotas and commodity loans—which served to maintain prices of surplus crops in 1941 have just as big a part to play in 1942.

As the national economy directs more and more effort toward strictly defense work, another problem presents itself: the threat of inflation. Inflation is the result of a scarcity of goods at a time when buying power is abundant. This being so, agriculture's Ever-Normal Granary reserves and its 1942 production program constitute the greatest contribution made by any industry against the threat of scarcity and inflated prices.

THE Nation-wide Food for Freedom canvass this fall has enabled the individual farmer to plan his 1942 production operations in harmony with all other farmers throughout the country. The production goals provide all with a guide as to how they may make their greatest contribution. But a greater responsibility looms ahead. That is the "follow-up"—to

give farmers all possible help in meeting goals. If American agriculture were operating under "business as usual" conditions, there would be no need for such a follow-up. But in 1942 farmers will be faced with handicaps, some of them already apparent, and others which may develop.

There is the problem of getting the necessary farm machinery. Steel and other vital materials that normally would go into the production of tractors and plows and milking machines are going to be needed even more urgently in arms production. The probable shortage, or at least the tightening up, of farm labor in some areas is another problem that has bearing on whether or not farmers will be able to reach the production goals in 1942.

In the case of both these problems—possible shortages of labor and equipment—the AAA committeeman shares a responsibility with his State and county USDA Defense Board and with other department agencies in position to help. Already the Defense Boards have called upon the committeemen to help press the survey

of farm machinery repair needs this winter. The object is to get farmers to do all they can with the machinery they already have, as well as to find out just what repairs and new machinery are essential.

MANY of the handicaps to 1942 production on the scale desired will have to be met by extended effort, more efficient operations, and improved methods. In all this, the committeemen, able as they are to watch developments from their own farms, are in a position to iron out or call attention to many local problems. At the same time, however, the follow-up work calls for diligent effort by all agencies. No matter how foreboding might be the array of individual problems to be met in 1942, however, the great challenge before American agriculture next year as in years to come is whether or not the jobs can be done quickly and efficiently by the democratic processes as symbolized by the farmer-elected committees.

R. M. EVANS, *Administrator,
Agricultural Adjustment
Administration.*

Defense Relations

EXCEPT for the "spotty" and temporary shortages of farm labor and bale ties and farm hardware, agriculture was riding on a defense-borne boom in 1941. Both prices and consumer demands for agricultural commodities were on the upgrade, and the 1942 agricultural production goals indicate a continuing and growing demand for farm products.

But, as the new defense factories authorized in the fall of 1940 and winter of 1941 began to go into operation, the shortages which some defense officials had predicted began to appear. Tanks, airplanes, ships, and ammunition began eating up enormous quantities of steel, aluminum, copper, zinc, and nickel. Explosives plants began

competing for the supplies of chemicals usually used by agriculture. As the defense needs became increasingly apparent, a new expansion of the industrial defense program was ordered by the President. The new production schedules are considered necessary if the Allies are to assume the offensive, and if Russia is to halt the German drive.

This fall it appeared that the shortages of labor would ease as nondefense industries began to slow down operations because of lack of materials. But now it appears there will be no permanent widespread unemployment due to priorities. The silk workers have practically all been absorbed, and automobile workers will be needed in defense plants soon after they leave their old jobs. The office of Agricultural Defense Relations foresees

widening shortages of manpower and equipment in 1942.

EARLY last summer, the Secretary of Agriculture and the Office of Agricultural Defense Relations began moving to secure priority ratings and allocations for the wide variety of materials needed to produce, process, and store and transport agricultural commodities. The Secretary, at a meeting of Office of Production Management officials, established the philosophy that "food will win the war and write the peace."

Beginning with activities resulting in an allocation of steel last summer to handle the bumper grain crop in storage, OADR has moved steadily to bale ties, farm machinery, fertilizers, insecticides, fungicides, disinfectants, processing machinery, and storage facilities in an effort to keep abreast of the rapidly moving priorities picture. Department interbureau committees spent weeks digging up and analyzing agriculture's metals and chemicals needs. The USDA Defense Boards canvassed the farmers for their anticipated equipment needs in 1942.

SECRETARY WICKARD took Agriculture's case to the highest priority court—the Supply Priorities and Allocations Board—which put its stamp of approval on a farm marketing priority program and turned the problem over to OPM. Agriculture asked for sufficient materials to guarantee production of farm machinery at 107 percent of the 1940 level as a general average. The breakdown by items was based on comparative needs in relation to farm production goals, and some items were listed as high as 200 percent.

The OPM frankly said, that in view of the increase in the armament program there would simply not be enough critical metals to guarantee 107 percent but that it could guarantee approximately 80 percent, exclusive of repair parts and exports. OPM

agreed that an adequate supply of repair and replacement parts should be available.

The Secretary then mobilized the Department and the nation's farmers on an all-out farm equipment repair campaign. Farm hardware and supplies for blacksmith shops are handled through a Warehouse Order, which permits limited purchases by retail establishments and shops from the warehouse. Bale ties are handled directly with the steel mills through the OPM. A separate allocation has been made for milk cans.

WHILE the OPM order drastically restricting construction will definitely curtail the building of large farm structures requiring critical metals, there should be no difficulty in small construction. Lumber, glass, brick, stone, cement, and tile are not under priority control. Except for a few nonagricultural items, such as heavy-duty electric motors, heavy crawler tractors, and certain kinds of water systems, it is believed now that the farmer will not be required to make application for priorities or to obtain priorities certificates to secure necessary supplies.

The supply of chemicals is considerably confused by uncertainty of shipping space. If ships can be secured to bring nitrate from Chile, restrictions on plant nitrogen should not be very severe. But if ships are not available, there may be shortages. We must face the possibility of reduced quantities of sulphuric acid, which will mean less phosphate fertilizer than we would like. The potash supply seems to be adequate. With careful conservation, there should be an adequate supply of insecticides, fumigants, and fungicides.

THERE are not now any accurate, dependable statistics on farm labor requirements or supply, so it is difficult to forecast the farm labor situation for next year. However, Congress has appropriated funds for gathering

farm labor statistics at the request of OADR and a clearer view of the exact farm labor problem should be available in the near future.

The OADR labor program is, generally:

1. Encouraging the Federal Security Agency to strengthen and broaden the Farm Placement Service, and, at the same time, asking farmers to use the service.

2. Encouraging Selective Service to clarify agricultural deferments. OADR has cooperated with Selective Service in preparing a "directive" which Selective Service intends to use as a suggested basis for agricultural deferments.

3. Encouraging WPA, NYA, and CCC to use their training facilities for developing necessary farm skills.

4. Encouraging expansion of the mobile camp program.

AGRICULTURE has also played an important part in selecting the sites for defense plants through membership of the Director of OADR on the OPM Plant Site Board. In this

way, agriculture's interests have been protected insofar as it was possible without direct conflict with the urgencies of the defense program. On many occasions location of huge defense projects in productive agricultural communities was prevented. At the same time agriculture was instrumental in shifting defense plants westward and southward where unemployed rural populations would get the benefit.

To persons familiar with the 1942 production goals, the impact of defense upon farm production is obvious. Agriculture has the job of helping feed our Allies, meeting increased domestic consumer demands, and producing fats and oils necessary to the industrial mobilization. It even reaches down into the field of drugs. Many medical herbs formerly imported must be secured domestically. New uses are constantly being developed for agricultural commodities, hastening the progress of chemurgy.

M. CLIFFORD TOWNSEND,

Director, Office of Agricultural Defense Relations.

Soil Conservation

DECADES ago thousands of American farmers realized their soils were getting thin and unproductive, that new lands were becoming scarce as the years went by. But they didn't know why their soils were eroding, or how the erosion could be controlled.

Then, in 1929, ten erosion experiment stations were established by the Federal Government—outdoor laboratories where soil scientists could study erosion in detail and develop control methods. By 1933, sufficient knowledge had been accumulated to justify establishment of watershed demonstration areas. In these demonstration areas, usually about 25,000 acres in

size, erosion control practices are applied under field conditions.

It became obvious, as a result of this work, that soil erosion is a social problem, that a social mechanism should be developed to deal with it. Government could not expand the intensive demonstration program to cover the entire country, nor could the problem be solved by farmers working as individuals. State laws permitting farmers to organize soil conservation districts were enacted in some states in 1937; today all but 6 of the 48 States have legislation enabling farmers to band together in local erosion control cooperatives. Each district is a unit of local government empowered by law to carry out measures for the conservation of soil and water resources.

SIX hundred soil conservation districts are now in operation embracing a total area of 350 million acres. They include more than 3 million farmers, or about 45 percent of the total farm population of the United States. Upon request, the Soil Conservation Service aids districts in developing operations programs on the land. Service technicians help in making surveys and in developing and carrying out soil conservation plans. The Service also provides equipment, seed and seedlings for erosion control, and where it is practicable furnishes CCC labor to assist in conservation work. By September 15, 1941, assistance of this general type had been extended to 480 districts, representing a total area of 300 million acres in 38 States. During the coming year, such assistance to districts, which are increasing in number, will form a large part of the Soil Conservation Service action program. Field and laboratory research likewise is being pressed.

In addition, the Service is working in 180 demonstration projects in 45 States, Hawaii, and Puerto Rico, where farmers are carrying on intensive erosion-control work under Service supervision. Similar work of a demonstrational nature is performed by more than 306 CCC camps, including 25 drainage camps, under Soil Conservation Service supervision. About 100,000 farmers, representing approximately 36 million acres of land throughout the United States, are cooperating in the camp and project areas. The Service also helps to plan erosion-control programs on scattered demonstration farms in conjunction with the Agricultural Extension Service. Such plans have been made for approximately 40,00 farms in 42 States.

THE Soil Conservation Service is responsible for the acquisition and development phases of the Department of Agriculture's land utilization program. This program aims to relieve

social and economic maladjustments in rural areas by purchasing land unsuited to cultivation and developing it for some use for which it is better adapted, such as forestry, grazing or wildlife. A large acreage of such land has been transferred to State agencies under long-term lease, but approximately 6 million acres, located chiefly in the Great Plains region and used primarily for grazing, are under Soil Conservation Service management. Land purchases during the remainder of this fiscal year will approximate 150 thousand acres. The total area of land acquired since the beginning of this program is approximately 11,500,000 acres.

The water facilities program, authorized by the Pope-Jones Act of 1937, is being carried forward in arid and semiarid sections of 17 Western States by the Bureau of Agricultural Economics, the Farm Security Administration, and the Soil Conservation Service. In these areas the Service is helping farmers and ranchers to build or install facilities such as dams, stock ponds, wells, pumps, and diversion structures. Service technicians help develop conservation and management plans for farm and range lands benefiting from water facilities work. Water facilities program assistance has been extended to some 5,000 families representing approximately 2,905,413 acres of land.

UNDER authority of the Omnibus Flood Control Act of 1936, the Service is collaborating with the Forest Service and the Bureau of Agricultural Economics in a program of upstream run-off retardation. These three agencies have now completed preliminary examinations of 129 major watersheds, and detailed surveys are completed or under way in 50 of them in preparation for actual operations. Work has already begun on a watershed improvement program for the Los Angeles River in California.

This coordinated watershed and channel improvement program represents a new approach to the flood control problem. It recognizes the importance of proper use and protection of the uplands where floods originate. It involves cooperative effort of farmers on the land, cities along the streams, and State and Federal agencies.

The Soil Conservation Service is responsible for the supervision of farm forestry projects in predominantly agricultural areas. In these projects, the Service helps farmers build up their woodlands, both for income production and erosion control. Farmers participating in the program are aided in development of conservation plans for croplands and pastures. So far, 48 farm forestry projects have been established in 36 States.

The 25 CCC camps engaged in farm-drainage work are located in nine States east of the Mississippi. They work in public drainage districts clearing out ditches, repairing drains, and improving existing drainage systems. About 6,200 miles of ditches and 309

miles of tile have been improved to date.

THE foundation for its action work on the land is the Service's comprehensive research program. Problems in soil and water conservation, flood control, farm drainage, and irrigation are being studied in cooperation with State agricultural experiment stations and the Bureau of Agricultural Economics at 127 field stations all over the country. Significant research findings are put into practical use in the operations program, and are made available to other agencies and to the public.

Surveys of agricultural lands to determine the type of soil, amount of slope, degree of erosion, and present use are an essential preliminary to most of the Service's work. Detailed surveys have been completed on approximately 100,000,000 acres, and are under way on 292,000,000 acres more, largely within soil conservation districts.

H. H. BENNETT, *Chief,
Soil Conservation Service.*

Farm Security

IN addition to its regular programs the Farm Security Administration in 1942 will do special work related to National Defense.

The 600,000 low-income families operating farms with rehabilitation and tenant purchase funds will help produce more milk, eggs, pork, and vegetables for America and Britain. The best methods of producing and handling these essential foods have been studied by FSA borrower families in group meetings, and their farm and home plans include provisions for improved home diets as well as increased production for market.

MORE than 14,000 farm families have had to move from their homes on short notice because the

Government has purchased more than 4 million acres of land for proving grounds, maneuver areas, bombing fields, anti-aircraft ranges, and the like. Several thousand more may be affected the same way next year. Displaced families who need it are getting the following help from the Farm Security Administration: (1) Cash grants for subsistence and for actual moving expenses; (2) operating loans to enable them to start farming again; (3) loans to tide them over until they have been paid by the Government for their property; and (4) assistance in finding available acreages in nearby areas so they can continue farming.

Displaced families may obtain farms through Relocation Corporations established in a number of States, which have borrowed money from the Farm Security Administration for the purchase and improvement of new family-

type farms. As soon as possible, relocated farm families are keyed into the campaign for Food for Freedom and maintenance of their own nutrition at a high level.

DEFENSE activities are absorbing much of the farm labor surplus and, because it is essential that crops be harvested on schedule, migratory agricultural workers are cooperating with the Department of Agriculture in efforts to make labor readily available where it is needed. At the end of the fiscal year the FSA had accommodations for 15,000 families of migratory farm workers in stationary and mobile camps in California, Oregon, Washington, Idaho, Texas, Arizona, and Florida. An expanded camp program in 1942 is under way to provide a base for free movement and distribution of migratory workers to offset labor shortages.

Farmers in areas having too small farm units, worn-out land and poor housing will be able, in 1942, to obtain FSA special real-estate loans. These will help round out farm units; purchase tools, equipment, and materials for house and farm building improvements; renew soil, and refinance mortgages. Many farmers have been unable to get adequate assistance of this type previously because of the lack of loan funds. Increased farm income should lighten the demand for supplemental loans to many families already on the rehabilitation program, and in some sections will reduce the requirement for new loans. Thus Farm Security will have an opportunity to help more people in areas where extraordinary rehabilitation measures are needed.

FSA supervisors are renewing their emphasis on development of local leadership and establishment of cooperative services and enterprises which borrower families may use to help solve their problems. In 1942 many more families will be able to take part in the cooperative loan program.

At the end of the fiscal year, 21,100 groups of small farmers were buying and using all kinds of farm equipment together, and were jointly operating essential farm services as a result of the community and cooperative services program. Sires, tractors, wagons, threshers, combines, and other equipment had been purchased. In addition, small farmers had acquired a variety of off-the-farm community facilities, such as potato storage houses and cotton gins. County-wide purchasing and marketing associations are being organized where there are no adequate existing cooperatives through which FSA borrower families can buy and sell.

THE medical care program, through which 100,000 borrower families are getting medical attention through group plans worked out cooperatively by Farm Security Administration borrowers and State and County medical organizations, will be extended in 1942 to all counties where it is feasible. Through this plan families receive medical care for annual fees ranging from \$15 to \$45, depending on the type of service rendered. Farmstead sanitary improvement will be possible through expansion of the sanitation program as far as available funds will permit.

Because of past experience in low-cost rural housing, the Farm Security Administration has been designated by the Federal Works Agency to furnish permanent housing for 1,422 families of defense workers. In addition, on the recommendation of the Office of Defense Housing Coordination, the President has designated Farm Security as an agency to build temporary defense housing. By November 1 funds had been allocated to furnish 13,636 dwelling units, 6,004 for families and 7,632 for single people.

Farm Security is cooperating with the Department of Agriculture and with the National Resources Planning Board in preparing plans for useful public and private action when the

defense effort ends. County supervisors are working with land use planning committees in producing practical and socially useful plans for programs on rural housing, medical care, and

sanitation which can be used to help keep up full employment and cushion the shock of readjustment.

C. B. BALDWIN, *Administrator,
Farm Security Administration.*

Commodity Credit

RESERVES of feed, food, and fiber stored under Commodity Credit Corporation loan programs in years of abundance are now making effective contributions to the expanded requirements of the United States and to the urgent needs of the nations we are aiding.

Lend-Lease requirements for cotton, corn, tobacco, and naval stores are supplied from stocks accumulated through Commodity Credit loans and purchases. Corn reserves accumulated in the years of surplus harvest are providing additional feed supplies required for the planned expansion of our production of pork, dairy, and poultry products. Larger supplies of foods essential for the future also are being developed rapidly through current commodity loans and purchases. The Ever-Normal Granary has become an arsenal of defense.

AS a result of the increased demand for food and fiber occasioned by lend-lease activities and increased domestic requirements, the supplies of commodities owned by and under loan to Commodity Credit Corporation have been extensively reduced. During the 7 months April 1, 1941 (the date of the last official inventory) to October 31, 1941, sales of commodities owned, and repossession of commodities pledged by producers who repaid their loans, have reduced stocks of all major commodities accumulated in 1940 and earlier years.

Heaviest reductions have been in stocks of corn, where liquidations have amounted to nearly 172 million bushels from April 1, 1941 to October 31, 1941. Approximately 83 million bushels were

sold directly by Commodity Credit—including sales under Lend-Lease, and sales in line with the announced policy of disposing of supplies of corn on the market at reasonable prices to encourage the production of livestock and livestock products under the Food for Defense Program. In addition, producers have repossessed over 88 million bushels, leaving outstanding from the 1938, 1939, and 1940 crops about 216 million bushels that farmers may repossess by repaying loans. About 150 million bushels were owned by Commodity Credit Corporation as of October 31, after deducting quantities sold for future delivery.

COTTON stocks in the same 7-month period (exclusive of 1941 loan cotton) were reduced more than 4¾ million bales. To November 1, nearly 500 thousand bales had been transferred under Lend-Lease operations and sales of 150 thousand bales had been certified under the export program. Under this export program, the right to purchase 1937-crop cotton from Commodity Credit Corporation at a price slightly over its investment in the cotton at the time of sale is given persons who produce satisfactory evidence of having exported a similar quantity or bond to assure performance of contract to export cotton.

With the increase in domestic cotton prices during the spring months, occasioned by accelerated mill demand and legislation providing mandatory loans of 85 percent of parity, producers repaid outstanding loans on 4,218,437 bales pledged under the 1938, 1939, and 1940 loan programs. There remained in the 1938, 1939, and 1940 loans on November 1, to be placed in pool and sold for producers' account, only 45 thousand bales.

Cotton owned by Commodity Credit, after deducting commitments that had been made through November 1, amounted to approximately 5,500,000 bales. It is expected that transfers under Lend-Lease and sales under the export program may reduce this stock another half million bales by next summer. Loans had been made to November 1 on 425,510 bales of 1941 cotton.

DOMESTIC sales of wheat directly by Commodity Credit have been limited to interior mills having grain in storage which is needed for milling, of a type and class which is not otherwise obtainable and to sales of wheat that has deteriorated. Wheat sold by Commodity Credit and repossessed by producers totaled about 98 million bushels since the first of the year, reducing stocks of outstanding wheat in the producers' pool controlled by the Commodity Credit Corporation to approximately 170 million bushels. However, loans had been made through November 1 on 295 million bushels of 1941 crop wheat.

SINCE March 31, 1941, the Corporation has completely disposed of its stocks of gum turpentine after allowing for sales in process. During the same period, rosin stocks were reduced by approximately 521 thousand barrels or drums. Approximately 323 thousand barrels or drums were withdrawn under the Distribution Agreements through normal distribution channels, 115 thousand by sales of the American Turpentine Farmers Association with the approval of Commodity Credit Corporation, and 83 thousand by shipments under lease-lend procedure. The Corporation's rosin stocks on November 1 approximated 885,500 barrels and drums. These figures exclude approximately 55 thousand barrels of rosin which have been sold and are in the process of settlement, and are, therefore, still shown in Commodity Credit inventory reports. It is estimated that as of the

beginning of the new crop year, April 1, 1942, Commodity Credit Corporation rosin stocks should not exceed 500 thousand barrels or drums.

LEASE-LEND commitments now aggregate 118 million pounds of 1939 crop tobacco, of which 93 million pounds have actually been transferred. Commodity Credit loan and purchase holdings of tobacco on November 1, 1941 totaled 72,951,821 pounds of the 1939 crop and 218,154,793 pounds of the 1940 crop. Total purchases and loans from the 1941 crop will not greatly exceed 100 million pounds, dry weight basis. Thus, a net reduction in the Corporation's tobacco stocks is anticipated.

LOANS on 1941 crops of the cotton, corn, wheat, rice, and tobacco, are being made at 85 percent of the parity price as of the beginning of the marketing year, pursuant to the authority of the Agricultural Adjustment Act, as amended by Public Law 74 in the 77th Congress. In general, the programs are similar to those in effect during previous years. Innovations include the rice loan and purchase program offered for the first time this year, and location differentials in the corn loan program, adopted for the first time.

Programs on basic crops provide loans and purchases averaging approximately as follows:

Cotton.....	14.02 cents per pound.
Wheat.....	98 cents per bushel.
Corn.....	74.8 cents per bushel.
Rice.....	92 cents per bushel.
Flue-cured tobacco.	19.6 cents per pound.

In addition to these mandatory loans, programs have also been announced for rosin and turpentine, grain sorghum, barley, flaxseed, soybeans, legume and grass seed, butter, and dairy products.

AS a further effort in national defense, Commodity Credit during 1941 financed extensive purchases of

foodstuffs by Surplus Marketing Administration that are now available for purchase and export under the Lease-Lend Program, for sale in the domestic market, or for relief distribution. The principal commodities purchased and prepared for overseas shipment include cheese, dry edible beans, evaporated and dried milk, eggs, lard, pork and pork products,

raisins, canned grapefruit and juice, canned tomatoes, cornstarch, and wheat flour. The purpose of the program has been to assure reasonable prices to encourage increased production, orderly marketing, and processing and storing.

J. B. HUTSON, *President,*
Commodity Credit Corporation.

Farm Credit

THE Farm Credit Administration in 1942 plans not only to provide on sound terms adequate credit to meet normal farm needs as well as the increased requirements of the Food for Freedom program, but also to act as a balance wheel in preventing undue inflation of farm real estate prices. Major wars inevitably bring about violent price fluctuations and in the past have actuated a speculative real estate boom. We are taking definite measures to prevent the headaches which followed World War I.

A permanent committee to study ways of checking speculation in farm lands and to exchange ideas concerning the farm mortgage business has been formed as a result of the conference of farm mortgage lenders and farm leaders held in Washington September 26. Lenders at the conference represented about 75 percent of the total farm mortgage debt of the country. They represented farm organizations, mortgage bankers, insurance companies, government agencies, American Bankers Association, and investment bankers.

Mortgage lenders were urged to adopt five major objectives:

1. *Make normal values the primary factor in making farm mortgage loans. The experience of the Farm Credit Administration shows this to be a sound basis of appraisal in a situation such as that which now confronts us.*

2. *Impress upon present borrowers the wisdom of using higher incomes now available to pay their existing debts. This will be a factor in preventing inflation.*
3. *Urge farmers to build reserves out of today's higher incomes for possible "rainy" days in the future.*
4. *Avoid fostering speculative increases in production, yet at the same time carefully consider the needs for extending sufficient short-term credit so that farmers may make necessary shifts and increases in production to meet the needs of the food-for-freedom program.*
5. *Encourage the sound use of credit to build a better balanced agriculture yielding a higher, more secure standard of living on the family-type farm.*

THE aim of the Federal land banks and the Land Bank Commissioner always has been to lend upon normal values. That will continue to be true. The land banks are urging their borrowers to pay off as much of their mortgage obligations as they reasonably can, and to establish reserves against years in the future when farm income may be lower than it is now. The banks have provided for "future payment funds" to be deposited with them by borrowers. They pay the same rate of interest on these funds as farmers pay on their land bank loans. At the close of October farmer-borrowers had put nearly \$1,000,000 into their future payment funds.

The proportion of Federal land bank and Commissioner loans repaid has been increasing during the last several years. In the year ended September 30, 1941, approximately 6.1 percent of the outstanding principal on land bank loans was retired, and in the same period about 10.4 percent of the principal on outstanding Commissioner loans. Our figures show that from November 1, 1933, through September 30, 1941, farmers and ranchers repaid \$556,541,000 on their land bank loans. Nearly 93,000 loans were paid prior to maturity. Principal repayments on Commissioner loans since they first became available in 1933 aggregated \$320,530,000. Included in this are nearly 81,000 loans paid in full.

AT the end of September of the current year, there were outstanding nearly 1,100,000 Federal land bank and Commissioner loans for \$2,411,365,000. This represents approximately 34.7 percent of the estimated total farm mortgage debt in the United States on January 1, 1940.

The farm real estate market has improved considerably in the past year so that for the first time since 1934 the Federal land banks are holding less than \$100,000,000 worth of farms. The 18,799 farms held at mid-year were 19 percent fewer than a year earlier. Farm foreclosure sales likewise have been reduced. Foreclosures for the year ended June 30 were the lowest in 7 years, with forced sales by all types of lenders showing appreciable declines. In the case of the Farm Credit Administration, improvement in farm income and remedial measures adopted in 1940, when nearly 100,000 land bank and Commissioner loans were re-amortized, are considered largely responsible for the 38 percent decrease in 1941 foreclosures below 1940 figures.

THE 525 production credit associations are becoming an increasingly important factor in short-term farm credit. In July of this year they observed the lending of the 2-billionth dollar since their organization in 1933.

Loans in the first 9 months of 1941 totaled \$290,000,000, compared with \$240,000,000 in the same period of last year. This is the eighth successive year in which their volume of business has increased.

This expanded volume of business likewise is reflected in the business done by the Federal intermediate credit banks through which paper of the production credit associations is discounted. Many of these associations have built up considerable reserves and are now in a position to make a larger number of relatively small loans to farmers not hitherto reached by these associations. All loans will continue to be made only on what the associations and the Farm Credit Administration regard as a sound business basis, but it definitely is our intention to serve a larger proportion of farmers and stockmen. These associations are prepared to finance on a sound basis the changes necessary for farmers to meet the increased demand for food occasioned by the National Defense Program.

FARMERS' cooperative associations will be materially affected in 1942 by the defense program. There is an indication in the increased lending by the banks for cooperatives through 1941 that cooperatives are expanding their facilities and their business activities in keeping with the food program. In the first 9 months of 1941 farmers' marketing, purchasing, and business service cooperatives borrowed \$126,000,000 from the banks for cooperatives, compared with \$67,000,000 in the same period of last year. Outstanding credit of the 12 district banks and the Central Bank reached a new month-end peak of \$105,000,000 at the end of September of the current year. Recognizing the need of some of the banks for increased capital to meet the larger demand for credit, we recently subscribed from the Revolving Fund authorized by the Agricultural Marketing Act an additional \$59,000,000.

A. G. BLACK, *Governor,
Farm Credit Administration.*

Crop Insurance

A new responsibility—that of making Federal crop insurance available to cotton growers of the United States—has been delegated to the Federal Crop Insurance Corporation for 1942. More than three years' experience in insuring wheat crops preceded extension of this insurance protection program to cotton producers. Wheat insurance work has proved invaluable in organizing the cotton program, and, it is hoped, will enable the Corporation to equal or better the record it has made in wheat.

Increased participation for four consecutive years has been the record for the wheat insurance program. The high point of participation was reached this year when the 1942 wheat crop was insured on 437,633 farms. Most of this insurance covered winter wheat. This number exceeded the 416,954 contracts written on both winter and spring wheat for the 1941 crop year. With completion of spring wheat insurance February 28, 1942, it is expected the total number of farms insured will approximate 500,000.

The Corporation has set its cotton goal for 1942 at 500,000 contracts. There are several reasons for this: First, cotton farmers as a group have been intensely interested in the wheat insurance program since its inception and have repeatedly urged this same form of all-risk protection be made available to them. Second, there is a definite need for cotton crop insurance. Huge cotton surpluses in past years have obscured the fact that every year thousands of acres of cotton are lost through no fault of the growers. Every acre destroyed means lost income, less purchasing power, more insecurity, and increased migration of tenants and sharecroppers.

THE 1941 cotton crop year is a good example of what unavoidable hazards mean to the cotton grower and the extent to which cotton crop insur-

ance can assist the individual farmer to be self-sustaining. The boll weevil in the 1941 crop year destroyed millions of dollars worth of cotton. Had insurance been available in 1941 and all cotton growers been insured, much of this loss could have been indemnified, since growers would have been guaranteed 75 percent or 50 percent of their average annual yield. Weevils were the major cause of cotton crop destruction, but the total was increased by floods and drought. These unavoidable hazards, including frost, hail, plant disease, and others, are included in the all-risk protection contract which cotton growers will be offered for 1942.

The program is being taken to the field this month when the first contracts will be written. Indications are that the bulk of the applications will be made during the first two months of 1942. Regulations and procedures applicable to cotton have been patterned after the wheat insurance program.

Farmers will be required to contract for their cotton insurance before they plant and before the expiration of the final date for acceptance of contracts by the Corporation. Varying closing dates have been determined for different states because of the variation in farm practices.

THE commodity note plan of paying premiums will be in force under the cotton program. This note plan was put into effect for the first time on the 1942 wheat insurance signup. It can be, if the farmer chooses, a deferred payment plan. Both wheat and cotton insurance contracts contain the commodity note as part of the application. Under it, the grower obligates himself to pay his premium in either the actual commodity or the cash equivalent on or before the date of maturity. He has the option of selecting the time and method of payment. Maturity dates for the note vary from state to state, although, generally, all notes will

mature on or about the time of picking or the time indemnities usually are paid in a given locality.

If the note is not paid on or before maturity, the farmer allows the Corporation to deduct the amount of his premium from any indemnity he might receive. If no indemnity is payable, or if the indemnity is insufficient to satisfy the premium, it is deducted for the benefit of the Corporation from the unpaid amount of the first government payment due the farmer for participating in the national farm program or from his Commodity Credit Corporation loan. Where the notes are paid after maturity, payment must be made in cash. No interest is charged on these notes.

The note plan has two distinct advantages: On the basis of past experience, it is safe to assume that only a small percentage of growers will pay their premiums in the actual commodity. Thus, instead of purchasing the actual commodity with cash equivalent premium payments, the Corporation will carry its reserves in notes and save an estimated \$1,000,000 annually in storage and handling costs of wheat alone. The desirability of this plan for cotton where storage and handling also would have been involved can readily be recognized.

The second advantage is to the farmer himself. He does not have to put out any immediate cash outlay for his insurance protection. In the cases of tenants and sharecroppers this should be an important inducement for them to avail themselves of insurance. For cotton insurance, contracts will be written only when the applicant has an interest in a cotton crop and that interest can be determined at the time application is made. This requirement does not apply to the wheat program where past experience has shown many tenants had not completed leasing arrangements by the time the final day for accepting contracts expired.

This caused many growers to lose the opportunity to obtain all-risk protection. The note plan enables such farmers to contract for insurance even though they have not arranged for wheat land since the combined application-note applies to all farms in the county in which they have an interest in the crop.

PARTICIPATION by farmers is one gauge by which the success of the crop insurance program may be measured, but there is another: The relationship of indemnities paid farmers and premiums collected. In 1941 the Corporation paid out more than it collected—14,095,181 bushels in premiums compared to 17,712,803 of indemnities as of October 15. (In this connection it must be remembered that the Corporation is charged with responsibility for making crop insurance available to all wheat growers and, in 1942, all cotton growers.)

This same situation—indemnities exceeding premiums—can occur in the cotton program during a bumper crop year. It is entirely possible for cotton areas to duplicate the 1940 wheat history when customarily poor producing areas harvested phenomenal yields and more than offset complete crop abandonment in the ordinarily high producing areas. In such cases insurance losses are almost inevitable.

The certificate of indemnity plan for paying indemnities will be continued for wheat in 1942 and also will be applied to cotton. Insured growers suffering crop losses receive a certificate of indemnity that can be converted into either the actual commodity, if it is available, the cash equivalent, or turned over to the Commodity Credit Corporation for a loan on the amount of the commodity represented by the certification.

Two cotton branch offices have been opened by the Corporation—Dallas, Texas, and Birmingham, Alabama.

LEROY K. SMITH, *Manager,*
Federal Crop Insurance Corporation.

Marketing Farm Products

NOW and for the months ahead the biggest job of the Surplus Marketing Administration in this war emergency is in purchasing foodstuffs for Lend-Lease shipment abroad and in supporting market prices so that farmers will continue to have the incentive to increase production of commodities needed to meet greatly expanded export and domestic requirements.

Geared in with this defense assignment are the basic, long-time programs for encouraging wider markets for farm products and improving the income of farmers on their full production. Through these programs of the Surplus Marketing Administration, low-income families with inadequate diets and undernourished school children are able to get more food, new uses for farm products are developed, domestic and export outlets for agricultural commodities are encouraged, and more orderly marketing conditions are established.

THE purchase activities of the Surplus Marketing Administration have been greatly expanded with the buying for lend-lease shipment which began last spring. Under this expanded purchase program, commodities bought can not only be used to meet Lend-Lease requirements, but also for domestic distribution to public aid families and for school lunches, to meet Red Cross needs for shipment to war refugee areas, or for release upon the market when this is desirable. These various outlets for moving foodstuffs give the purchase program a high degree of flexibility, necessary not only in protecting the interests of farmers and consumers, but also in safeguarding the national interest.

Since defense purchase operations began March 15, 1941, more than 100 different items have been bought, primarily for Lend-Lease shipment to

Great Britain. Purchases to December 1 included more than 440,000,000 pounds of canned, cured, and frozen pork meat products, 308,600,000 pounds of lard, 137,400,000 pounds of cheese, 32,400,000 pounds of dry skim milk, 13,500,000 cases of evaporated milk, over 35,300,000 pounds of dried eggs, 66,000,000 pounds of frozen eggs, nearly 1,500,000 cases of shell eggs, over 5,300,000 cases of canned tomatoes, nearly 200,000,000 pounds of dried beans, nearly 135,000 tons of dried prunes, 53,500 tons of raisins, and millions of pounds of other fruits, vegetables, meats, dairy products, grains, cereals, and other foods.

A billion and a half dollars of Lend-Lease money, from the first and second appropriations, is being concentrated in the purchase of agricultural commodities alone. Slightly more than one-third of this amount has already been committed or spent for farm products. Purchases recently have been running at a rate approximating \$100,000,000 a month.

DOMESTIC distribution programs of the Surplus Marketing Administration are designed to reach persons who are still in need of public aid, and to keep open for farmers a wider market than would otherwise exist. Despite the increase in industrial employment and the rise in consumer income that have accompanied the national defense effort, many millions of persons have not shared in this gain. For the most part, these are the people who must continue to be dependent on public aid. Their need for more food is as great as ever. The limited purchasing power which they have is not enough to supply them with the food necessary to maintain good health.

Programs for increasing the consumption of agricultural commodities among the needy include the Food Stamp Program, the direct distribution of commodities to State welfare agencies for use by needy families in

areas where the Food Stamp Program is not operating, the distribution of foodstuffs for use in school lunches, and the low-cost milk programs.

THE Food Stamp Program, started in May 1939, is now operating in areas containing more than half of the Nation's population. In these areas close to 4,000,000 persons eligible to receive public aid are using nearly \$10,000,000 worth of blue stamps a month for the purchase of designated foods. These blue stamps which are given free serve to increase by about 50 percent the food buying power of those taking part in the program.

The commodities available at local stores in exchange for the blue stamps are those designated by the Secretary of Agriculture. Blue stamp foods listed during December, for example, included shell eggs, butter, pork, fresh pears, apples, oranges, grapefruit, fresh vegetables including potatoes, raisins, dried prunes, dry edible beans, corn meal, hominy (corn) grits, and various forms of wheat flour.

The greatest expansion in the Food Stamp Program took place during the 1941 fiscal year. The number of persons participating increased from 1,500,000 in June 1940 to 3,900,000 in June 1941. Blue stamp food expenditures increased from \$3,162,000 a month to \$9,950,000 in that same period. For the fiscal year as a whole, blue stamp expenditures totaled slightly more than \$82,800,000, with 12 percent of the money going for butter, 14 percent for eggs, 16 percent for cereal products, 25 percent for fruits and vegetables, and 32 percent for lard and pork products.

WHERE the Food Stamp Program is not in operation, commodities bought by the Surplus Marketing Administration under programs designed to strengthen farm markets are distributed by welfare agencies to public-aid families. The supplies so distributed are in addition to what these

needy families are able to buy or otherwise obtain.

Through the direct distribution of foods to families, the diets of more than 5,000,000 persons in the United States, Puerto Rico, and other outlying territory are being supplemented. This total is lower than in previous years, due largely to expansion of the Food Stamp Program and the decrease in the number of public-aid families. During the 1941 fiscal year, an average of 8,800,000 needy persons received under the direct distribution program about 2,100,000,000 pounds of foodstuffs.

Increasing quantities of food are being distributed for use in the school-lunch program which during the 1941-42 school year will probably be reaching 6,000,000 or more children. This program also makes use of foodstuffs bought by the Surplus Marketing Administration and distributed by State welfare agencies. During the 1940-41 year a total of 341,000,000 pounds of foodstuffs was made available for the school lunches. The peak number reached was in March 1941, when more than 4,700,000 children were served in nearly 66,800 schools. The peak number served in the year before approximated 2,500,000 children.

The lunches served to the children are made in whole or in part from the commodities supplied by the Surplus Marketing Administration. Foodstuffs needed to round out the meals are supplied by the local community groups sponsoring the program in the schools.

GREATER consumption of fluid milk is being encouraged through the low-cost milk programs. These are of two types—one supplies milk to public-aid families at a low price, and the other makes milk available for use by school children at a penny a half pint. The low price at which the milk is supplied to eligible persons is made possible through provision for a

special price to be paid producers, and through a Federal indemnity payment to handlers whose bids for furnishing the milk are accepted. The indemnity payment, plus the price received from sales, reimburses each handler for the milk and the handling and distributing services.

The special producer price paid for milk used in the programs is lower than that for regularly sold fluid milk, but higher than the price producers receive for so-called "surplus" milk used for manufacturing purposes. Through this arrangement it has been possible to increase the consumption of fluid milk among needy persons at the same time that returns to producers were improved for the additional quantities of milk used.

Programs making fluid milk available at a low price to public-aid families are operating in a half dozen areas including Boston, New York, Chicago, Washington, D. C., New Orleans, and St. Louis. In these areas more than 450,000 persons in public-aid families have been receiving their daily milk supplies at a price ranging from 4 to 6 cents per quart.

Other programs which make milk available to children in schools at a penny a half-pint bottle reached more than 800,000 at the close of the last school year. The school milk program is to be continued on a somewhat expanded basis this year.

FURTHER direct assistance to farmers in improving conditions under which they sell their products is being extended through marketing-agreement programs. These programs apply to a number of commodities including fluid milk, and a wide range of fruits, vegetables, and other specialty crops such as walnuts and hops.

There are two general types of marketing-agreement programs. The programs for fluid milk provide for the establishment of minimum prices to be paid producers by handlers in a marketing area, and prescribe the method through which producers are to be paid. The programs for such commodities as fruits and vegetables

provide for the regulation of shipments out of the producing areas on the basis of the volume shipped during any specified period of time, or by limiting the grades or sizes of the commodity shipped.

For the most part, marketing agreement programs continue to operate from year to year. While occasionally a program may be terminated for one reason or another, new programs developed from time to time have added to the total number. Of the 49 marketing agreement programs in effect during the last fiscal year, 30 regulated the handling of fluid milk and other dairy products and 19 regulated the handling of various specialty crops, mostly in the fruit and vegetable field. The commodities covered by these programs had a farm value approaching \$500,000,000.

OTHER programs of the Surplus Marketing Administration being continued on a basis adjusted to conditions arising out of the present emergency are those dealing with the diversion of agricultural commodities to develop new uses and wider outlets, and programs for encouraging exports. The use of cotton as an insulating material is being developed further. The manufacture of starch from surplus potatoes and oil from peanuts is still being encouraged. Export programs continue to be operated on a conservative basis because of unsettled world conditions. Through the use of subsidies export sales of cotton and of some wheat and wheat flour are being assisted.

All of the various programs that have been developed for dealing with agricultural marketing and distribution problems are meeting real needs of farmers and consumers. They are maintaining and building broader farm markets, adding to the economic security of farmers and providing low-income families more food for better nutrition and better health.

E. W. GAUMNITZ,
Associate Administrator
Surplus Marketing Administration.

Rural Electrification

THE pressure of international events is causing the Rural Electrification Administration to give electrification of rural defense areas increasing attention. Construction of normal distribution lines has been slowed down, almost to a stop, because of materials shortages. REA is, however, actively pursuing a program for establishing transmission and generating power cooperatives in vital defense areas and for securing widespread use of farm electricity to aid in implementing the Food for Freedom program.

Developments are already completed in several power-deficient States and others are planned or under way. In Texas the Brazos River Transmission Electric Cooperative, Inc., transmits power from the Morris Sheppard Dam to rural areas of North and North Central Texas. The Jones-Onslow Electric Membership Corporation is already providing emergency power for activities in connection with the new Marine Base in North Carolina and is being expanded to afford complete generating facilities. The Ark-La Electric Cooperative will soon have generation and transmission facilities to serve parts of Arkansas and Louisiana, and the KAMO Electric Cooperative will transmit power from Grand River Dam to rural areas in Missouri, Kansas, and Oklahoma. Other developments are under way in Kentucky, Alabama, and Minnesota, and all of these projects will serve defense areas.

AS early as June 1940 a defense committee was created to direct REA's defense activities and hundred percent cooperation is being given to all defense agencies. REA has the only public pool of engineers qualified to design and supervise construction of rural power facilities anywhere in the country and REA cooperation has already saved the Army and Navy substantial sums on power cost.

REA field representatives are now serving on 47 of the State USDA Defense Boards, and more than 2,000 directors of local REA cooperatives are members of county boards. In a statement issued September 25, Mayor LaGuardia pointed out that these cooperatives could make a valuable contribution to Civilian Defense work through plans for emergency housing and shelter, preparations for black-outs, and promotion of first aid classes and home-care instruction. The REA safety program is being organized on a State-wide basis, and it is expected that one of the byproducts of the program will be establishment of a useful reserve of local people trained in use of first-aid methods. In certain areas the program has already outgrown its primary objectives and become a widespread community activity.

Under the sponsorship of the Department, REA is making surveys of power, fuel, water, housing, skilled labor, and agricultural products in relation to National Defense and rural electrification. Such a survey conducted in the Shenandoah Valley of Virginia has already resulted in establishment there of a cooperative of small machine shop owners for handling Defense contracts. Surveys have also been completed in Louisiana and the Winooski Valley of Vermont; others are contemplated in New Mexico, Mississippi, Arkansas, and South Carolina.

THE REA is cooperating in the general Nutrition for Defense program by sponsoring establishment of rural Food Processing Centers in some 20,000 rural schools and community centers along the lines of its borrowers. A series of ten regional conferences was completed in October, explaining how funds would be made available to REA borrowers for financing purchase of electrical appliances for equipping these centers. Reports from several States indicate that centers are now being installed in increasingly large numbers. Establishment of such cen-

ters will make possible demonstration of better diets and will make possible or improve hot school lunches.

REA's most important single contribution to the National Defense is the same as its major peace-time contribution—its vast network of rural electric lines throughout the United States. On August 31, 1941, REA had allotted \$388,827,121 to 840 borrowers for constructing 372,551 miles of rural distribution line reaching an estimated 1,215,447 consumers. During the coming year, and the entire duration of the defense emergency, these lines will provide low-cost power for production, processing, and preservation of high quality defense foods with less manpower and for vital defense projects, defense industries, and emergencies. Other allotments have been made during September, October, and November, but materials shortages may preclude their translation into

power lines during the predictable future.

ACCORDING to REA's 1941 appliance saturation survey, twice as many electric power tools for farming are now in use for food production on REA-serviced farms as in 1939. Through increased use of electrical devices, more milk is being marketed from the same number of cows where cooling devices, stanchion cups, and electric milking machines are in use. Electrically lighted henhouses and electric brooders are getting more eating eggs and more eating chickens from the same number of hatching eggs. Rural power, which is now reaching 34.9 percent of the farms in the United States, will do its part in the Battle of Food next year.

HARRY SLATTERY, *Administrator, Rural Electrification Administration.*

NEW WINES FOR OLD

United States production of wine increased more than 80 percent during the first two years of World War II—increasing from less than 66 million gallons in 1938–39 to more than 122 million gallons in 1940–41. Much of this increase is attributed to the increased purchasing power of the people in the United States and to the increased consumption of wine in this country.

* * * *

United States exports of wine also have increased greatly during the last two years, whereas imports have been sharply reduced. During the years prior to World War II the United States imported about 3 million gallons of wine annually, principally from France, Italy, Spain, and Portugal. Imports from France and Italy have now been practically cut off by the War. Were it not for the War, it is likely that United States total imports of wine would greatly exceed 3 million gallons in 1942.

* * * *

Many varieties of wine grapes are produced in the United States—in the vast arbors of California, New York, and other States. United States production of grapes for all purposes—for wines, for raisins, and for eating out of hand—is more than 2.5 million tons a year. Many of the vines have not yet come into full bearing; much larger tonnages of grapes will be produced during the next five or six years.

* * * *

Large quantities of United States wines are being carried in storage for ageing and for export to other countries which have been shut off from France and Italy by the War. On October 1 last, the stocks of wine in the United States totaled 118 million gallons. These stocks included many kinds of still wines, sparkling wines, Vermouth, and champagnes. United States consumption of wines of all kinds may total 100 million gallons during the coming year—a demand that will be supplied practically entirely by United States vintners and wineries.—F. G.

Exports During 2 Years of War

UNITED STATES exports of some farm products increased greatly—others declined—during the first 2 years of World War II. Notable was the increase in exports of dairy and poultry products under Lend-Lease authorization by Congress. Exports of fresh and cured pork declined during the first year of the war, but have been increasing recently, and for the second full year totaled approximately the same as in the first year. Exports of lard, also, have increased in recent months. Exports of dried beans were practically doubled during the second year of World War II.

United States exports of cotton were little more than 1 million bales during the second year of World War II, as contrasted with more than 6 million

bales during the first year. Wheat exports have continued to shrink, and were smaller in the second than in the first year of the war. Tobacco exports were down more than one-third during the second year of the war. Exports of fresh apples declined to less than 900 thousand bushels, and shipments of fresh pears were less than a third of the volume exported during the first year of World War II.

Of United States imports of farm products large increases are shown for wool, hides, and skins, and decreases for such commodities as canned beef and barley malt—during the second year of World War II. Other commodities such as sugar, flaxseed, and leaf tobacco showed little change.

United States: Exports and Imports of Specified Agricultural Commodities, 1939-40 and 1940-41 and September 1940 and 1941 ¹

Commodity	Unit	Year beginning Sept. 1		September	
		1939-40	1940-41	1940	1941
EXPORTS					
Pork:		Thousands	Thousands	Thousands	Thousands
Cured pork ²	Lb.....	45, 673	47, 426	1, 162	12, 242
Other pork ³	Lb.....	74, 827	63, 675	2, 736	18, 020
Total pork.....	Lb.....	120, 500	111, 101	3, 898	30, 262
Lard, including neutral.....	Lb.....	247, 037	247, 136	9, 956	46, 976
Dairy products and eggs:					
Cheese.....	Lb.....	1, 823	42, 678	191	13, 802
Milk, condensed (sweetened).....	Lb.....	11, 862	68, 744	3, 402	6, 300
Milk, evaporated (unsweetened).....	Lb.....	99, 309	222, 502	16, 017	45, 875
Milk, dried.....	Lb.....	9, 867	33, 695	796	4, 155
Eggs in the shell.....	Doz.....	4, 416	23, 035	227	1, 106
Egg products, dried, etc.....	Lb.....	4 113	16, 461	14	6, 903
Beans, dried.....	Lb.....	79, 338	154, 516	3, 282	41, 365
Wheat, including flour.....	Bu.....	44, 743	39, 439	3, 045	5, 767
Apples, fresh ⁴	Bu.....	2, 920	882	76	69
Pears, fresh.....	Lb.....	73, 311	22, 043	2, 618	2, 133
Tobacco, leaf.....	Lb.....	300, 309	184, 449	6, 394	23, 375
Cotton, excluding linters (500 pounds).....	Bale.....	6, 343	1, 186	97	198
IMPORTS					
Cattle.....	No.....	623	720	30	35
Beef, canned, including corned.....	Lb.....	76, 055	66, 759	4, 016	15, 978
Hides and skins ⁵	Lb.....	331, 565	524, 657	28, 012	48, 468
Barley malt.....	Lb.....	61, 279	38, 972	2, 497	3, 402
Sugar, cane (2,000 pounds).....	Ton.....	3, 238	3, 474	200	202
Flaxseed.....	Bu.....	11, 866	12, 099	24	1, 853
Tobacco, leaf.....	Lb.....	64, 530	65, 509	5, 500	5, 795
Wool, excl. free in bond for use in carpets, etc.....	Lb.....	171, 427	548, 861	15, 357	45, 138

¹ Corrected to November 10, 1941.

² Includes bacon, hams, shoulders, and sides.

³ Includes fresh, pickled or salted, and canned pork.

⁴ January-August. Not separately classified prior to January 1, 1940.

⁵ Includes baskets, boxes, and barrels in terms of bushels.

⁶ Excludes the weight of "other hides and skins" which are reported in pieces only.

Office of Foreign Agricultural Relations. Compiled from official records, Bureau of Foreign and Domestic Commerce and of the Bureau of the Census.

Farm Products: Producer to Consumer

VI. Government Policies in Marketing

THE preceding five papers in this series have presented a good deal of factual and descriptive material on marketing, have analyzed trends and developments in the marketing system, and have presented a brief survey of some of the principal marketing problems in this country. This final paper in the series will concern itself with the question, "What is being done and what should be done to solve these marketing problems?"

First, it must be obvious that some of the big marketing problems cannot be solved by the individual farmer. The individual farmer can decide within fairly wide limits what he is going to do on his own farm; he has important decisions to make about farm management, the use of land, and similar production problems; he can decide for himself certain kinds of marketing problems on or near the farm, for example, whether to grade his potatoes, whether to pack his apples in baskets or boxes, whether to sell on commission or for cash at the farm, and whether to ship by rail or by truck. Together with his neighbors in a cooperative association or as a member of a county planning committee he may be able to work out a program for supplying eggs or vegetables to local stores, or he may be able to help plan a new creamery for the locality.

Important as these decisions are, however, it is clear that neither the individual farmer nor any small group of local farmers can do very much to improve the transportation system or to bring about better methods of processing and manufacturing foods and clothing, or to reorganize the system of wholesale and retail distribution. Yet these basic problems are of great concern to the farmer and to the nation.

THE first article of this series stated: "In 1940 consumers spent about 14.8 billion dollars for food products produced by American farmers. Total payments to farmers for producing these foods amounted to 6.2 billion dollars. The national marketing bill was 8.6 billion dollars." These few figures are enough to indicate the magnitude of the job. We cannot possibly expect to eliminate the marketing bill, but the farmer and the consuming public have a right to insist that the necessary services of marketing, processing, transportation and distribution be performed as efficiently as possible, taking advantage of all modern improvements in technique.

Some of these improvements have come naturally as a result of competition. Further improvements doubtless will be made in the future by the same process. But farmers have felt for at least a generation that these improvements through the ordinary competitive processes are too slow, incomplete, and fail in many instances to accomplish the changes which were needed. In recent years the consuming public—and to a considerable extent the middlemen also—have become more and more convinced that the farmer has been right as to this and that we need a definite Government program to clear up bad marketing situations and to promote sound marketing policies. As a result, both the State legislatures and the National Congress have passed in recent years legislation which is having a far-reaching effect upon our marketing system.

THE marketing of farm products is a relatively new field for education and research. Before World War I only two or three college courses were being offered in this field, only a handful of pioneering studies had been

made, and there were no textbooks on marketing. Since 1920 there has been a fairly rapid development of college courses in marketing, extension work in marketing, and research by the agricultural colleges, the United States Department of Agriculture, and other organizations. This program of education and research has been distinctly helpful in providing a large body of factual material about marketing and in promoting an interest in marketing problems. But the program has been primarily one of fact finding; it has not gone as far as it may toward the discovery of practical ways of bringing about fundamental improvements in marketing.

Along with the development of an educational and research program in marketing the State and Federal Governments have provided a number of services to enable the marketing system to operate more effectively. These include market news, crop and livestock statistics, official grades, and inspection. Before World War I practically no services of this kind were provided either by the State or Federal Governments. It would be difficult to get along without such services today. We take them for granted because their value has been demonstrated, and are likely to forget that they need to be constantly adjusted and in many cases expanded to meet the rapidly changing needs of our agricultural marketing system. Agricultural economists should be giving more attention to such problems as grade definitions and inspection services which are needed to give proper rewards to farmers and to encourage those adjustments in production and marketing that are mutually advantageous to producer and consumer.

PROBABLY the most controversial subject in marketing is Government regulation. Without question the trend during the past twenty years has been toward more Government regulation. Some types of marketing regulation have had, and still have, the

overwhelming support of farmers, dealers, and consumers. This is especially true of laws and regulations which are aimed at the suppression of unfair and dishonest trade practices such as the Perishable Agricultural Commodities Act which is administered by the Agricultural Marketing Service. Here the Department of Agriculture is simply trying to enforce standards of honest dealing which are commonly accepted as desirable by practically all groups of citizens. In a similar way, practically all groups have supported programs by the Federal Trade Commission, the Department of Justice, and others for suppressing practices which were monopolistic or which were evidently injurious to the whole population.

But there are other types of regulations which hinder trade and add to the costs of marketing. The public has recently been shocked for instance, to learn of the extent of so-called interstate trade barriers. These barriers can be defined roughly as laws and regulations which unnecessarily hinder or prevent free trade within the country. There is now substantial agreement between the United States Department of Agriculture, the Departments of Agriculture in the States, and the Council of State Governments that many existing laws and regulations of this kind are harmful, that they are limiting the market for the farmers' product, that they are resulting in great inefficiencies both in marketing and in production, and that they are harming the consumer by raising retail prices and by making it impossible for many consumers to obtain desired kinds and qualities of foods. This evidently calls for a broad reconsideration of Government regulatory policies. It does not imply that we can or should abandon regulations in marketing. Marketing emphasizes the need for regulations which will preserve free and open markets throughout the country.

THERE is a noticeable tendency for the various trade groups to

promote legislation designed to freeze the marketing system in its present pattern, to hinder the development of new forms of marketing, or to prescribe the methods to be used and the charges to be made. Many bills have been introduced in State legislatures and in the Federal Congress to hinder the further development of some forms of direct marketing, to penalize certain methods of retailing, and to enforce standard charges for various marketing services. These can hardly be classed as trade barriers in the usual sense. However, it seems doubtful whether either the farmer or the consuming public can, in the long run, get any benefit from legislation which has as its sole purpose to prevent innovations in marketing or to prevent the lowering of marketing charges through competition.

It may well be that some new forms of marketing carry with them grave evils. Possibly in some cases these evils are so important and so inherent in the new methods that the whole public may be willing to sacrifice efficiency for the sake of accomplishing other important objectives. But in general we should be able to suppress the evils without giving up whatever advantages there may be in new methods. We should hesitate a long time before we set uniform charges in such a way as to prevent economies from being passed on to the public. Some of our recent regulations in transportation and in price maintenance should be carefully scrutinized from this point of view.

IN RECENT years the Government has taken an active part in developing and carrying out marketing pro-

grams. Examples are the ever-normal granary program for storing agricultural surpluses, the Food Stamp Plan, the School Lunch Program, export subsidy programs, the purchase of food for Britain and other nations resisting aggression, and the marketing agreements for fruits and vegetables and for milk. In most cases these programs are carried out in active cooperation with the trade, but they represent a long step from former Government policies which were limited largely to education, research, service, and regulation. The Government has taken on new responsibilities in marketing. The various programs have several objectives, but the major objectives are to widen and strengthen the market for farm products and to get a better distribution of these products in such a way as to contribute effectively to the standards of living of the consuming public.

We still have far to go to reach these objectives, but we have gone far enough to demonstrate that some kinds of Government programs can be of great benefit to farmers, to consumers, and to trade groups. Not only can these programs give temporary benefits to all these groups, but in the long run it seems likely that they may become a vital part of a comprehensive agricultural program of the future. An effective marketing program which would make it possible for the entire American public to maintain a satisfactory diet and to buy adequate clothing may do more than any other one thing to accomplish adjustments which are needed in agricultural production.

FREDERICK V. WAUGH.

An index of articles which have appeared in THE AGRICULTURAL SITUATION during 1941 is obtainable from the Bureau of Agricultural Economics, Washington, D. C.

Economic Trends Affecting Agriculture

Year and month	Industrial production (1935-39=100) ¹	Income of industrial workers (1924-29=100) ²	Cost of living (1924-29=100) ³	1910-14=100					Farm wages	Taxes
				Whole-sale prices of all commodities ⁴	Prices paid by farmers for commodities used in \$—					
					Living	Pro-duction	Living and production			
1925.....	90	98	101	151	164	147	157	176	270	
1926.....	96	102	102	146	162	146	155	179	271	
1927.....	95	100	100	139	159	145	153	179	277	
1928.....	99	100	99	141	160	148	155	179	279	
1929.....	110	107	99	139	158	147	153	180	281	
1930.....	91	88	96	126	143	140	145	167	277	
1931.....	75	67	88	107	126	122	124	130	253	
1932.....	58	46	79	95	108	107	107	96	219	
1933.....	69	48	75	96	109	108	109	85	187	
1934.....	75	61	77	109	122	125	123	95	178	
1935.....	87	69	79	117	124	126	125	103	180	
1936.....	103	80	80	118	122	126	124	111	182	
1937.....	113	94	83	126	128	135	130	126	187	
1938.....	89	73	81	115	122	124	122	125	186	
1939.....	108	84	80	113	120	122	121	123	190	
1940.....	123	95	81	115	121	124	123	126	-----	
1940—November.....	134	104	81	116	-----	-----	122	-----	-----	
December.....	139	108	81	117	122	125	123	-----	-----	
1941—January.....	140	111	81	118	-----	-----	123	124	-----	
February.....	144	111	81	118	-----	-----	123	-----	-----	
March.....	147	113	82	119	124	125	124	-----	-----	
April.....	144	113	82	121	-----	-----	124	138	-----	
May.....	154	125	83	124	-----	-----	125	-----	-----	
June.....	159	133	84	127	129	128	128	-----	-----	
July.....	160	138	85	130	-----	-----	130	160	-----	
August.....	160	139	86	132	-----	-----	133	-----	-----	
September.....	161	142	87	134	136	135	136	-----	-----	
October ⁷	164	142	88	135	-----	-----	139	165	-----	
November ⁷	-----	-----	-----	136	-----	-----	141	-----	-----	

Year and month	Index of prices received by farmers (August 1909-July 1914=100)								Ratio of prices received to prices paid
	Grains	Cotton and cotton-seed	Fruits	Truck crops	Meat animals	Dairy products	Chickens and eggs	All groups	
1925.....	157	177	172	153	140	153	163	156	99
1926.....	131	122	138	143	147	152	159	145	94
1927.....	128	128	144	121	140	155	144	139	91
1928.....	130	152	176	159	151	158	153	149	96
1929.....	120	144	141	149	156	157	162	146	95
1930.....	100	102	162	140	133	137	129	126	87
1931.....	63	63	98	117	92	108	100	87	70
1932.....	44	47	82	102	63	83	82	65	61
1933.....	62	64	74	105	60	82	75	70	64
1934.....	93	99	100	103	68	95	89	90	73
1935.....	103	101	91	125	118	108	117	108	86
1936.....	108	100	100	111	121	119	115	114	92
1937.....	126	95	122	132	132	124	111	121	93
1938.....	74	70	73	101	114	109	108	95	78
1939.....	72	73	77	105	110	104	94	93	77
1940.....	85	81	79	114	108	113	96	98	80
1940—November.....	83	79	71	99	112	121	120	99	81
December.....	81	79	75	93	111	128	122	101	82
1941—January.....	84	80	78	117	130	121	100	104	85
February.....	81	80	80	156	130	118	90	103	84
March.....	84	82	83	134	129	118	90	103	83
April.....	90	88	89	161	137	121	104	110	89
May.....	93	98	89	146	138	124	107	112	90
June.....	96	107	97	146	144	126	118	118	92
July.....	98	121	93	130	154	132	127	125	97
August.....	99	128	100	133	158	135	130	131	98
September.....	106	150	89	145	166	140	141	139	102
October.....	101	144	107	164	157	145	146	139	100
November.....	103	136	98	147	151	148	157	135	96

¹ Federal Reserve Board, adjusted for seasonal variation. Revised September 1941.

² Adjusted for seasonal variation. Revised April 1941.

³ Monthly indexes for months not reported by the Bureau of Labor Statistics are interpolated by use of the National Industrial Conference Board cost-of-living reports.

⁴ Bureau of Labor Statistics index with 1926=100, divided by its 1910-14 average of 68.5.

⁵ These indexes are based on retail prices paid by farmers for commodities used in living and production reported quarterly for March, June, September, and December. The indexes for other months are interpolations between the successive quarterly indexes.

⁶ Index of farm real estate taxes per acre. Base period represents taxes levied in the calendar years 1909-13, payable mostly within the period Aug. 1, 1909-July 31, 1914.

⁷ Preliminary.

NOTE.—The index numbers of industrial production and of industrial workers' income shown above are not comparable in several respects. The base periods are different. The production index includes only mining and manufacturing; the income index also includes transportation. The production index is based on volume only, whereas the income index is affected by wage rates as well as by time worked. There is usually a time lag between changes in volume of production and workers' income, since output can be increased or decreased to some extent without much change in the number of workers.